

Message Text

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PAGE 01 WARSAW 00289 131623Z
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SUBJ: US GROUP LOSES CONSTRUCTION CONTRACT

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1. SUMMARY. AN AMERICAN CONSORTIUM HAS INFORMED THE EMBASSY OF ITS UNHAPPINESS AT THE MANNER IN WHICH IT LOST IN THE BIDDING FOR THE LOT DOWNTOWN AIRLINE TERMINAL, HOTEL AND OFFICE COMPLEX. THE BRITISH FIRM CEMENTATION INTERNATIONAL WAS AWARDED THIS PROJECT DURING THE VISIT OF PRIME MINISTER JAROSZEWICZ TO LONDON, DECEMBER 15-17. HOWARD TURNER, PRESIDENT OF TURNER CONSTRUCTION COMPANY, THE PRINCIPAL MEMBER OF THE US CONSORTIUM, IS REPORTEDLY IN WASHINGTON THIS WEEK TO INFORM EXECUTIVE AND LEGISLATIVE BRANCH OFFICIALS OF HOW THE GOP MISTREATED HIS GROUP ON THIS DEAL. THERE SEEMS LITTLE CHANCE THE POLES WILL REVERSE THEIR DECISION ON THE CONTRACT AWARD, BUT WELL DIRECTED COMPLAINTS BY TURNER AND ASSOCIATES AT THIS TIME COULD SUBSTANTIALLY IMPROVE THE CONSORTIUM'S CHANCES OF WINNING OTHER CONSTRUCTION CONTRACTS IN POLAND. END SUMMARY.

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2. ROBERT LARSON OF LARSON MORTGAGE COMPANY OF NEW JERSEY AND W.O. BIERNACKI-PORAY, AN AMERICAN ARCHITECT OF POLISH ORIGIN, VISITED THE EMBASSY JANUARY 12 TO EXPRESS THEIR GREAT DISAPPOINTMENT THAT THE BRITISH CEMENTATION FIRM HAD BEEN DECLARED THE WINNER OF THE COMPETITION TO BUILD THE \$70 MILLION PLUS LOT TERMINAL, HOTEL AND OFFICE COMPLEX IN DOWNTOWN WARSAW. THEY SAID MR. HOWARD TURNER, PRESIDENT OF TURNER CONSTRUCTION COMPANY,

WHICH IS A PARTNER WITH THEM IN THEIR EFFORTS IN POLAND, WOULD BE VISITING WASHINGTON THIS WEEK TO COMPLAIN ABOUT THE POLISH HANDLING OF THIS CONTRACT AWARD.

3. ACCORDING TO LARSON AND PORAY, CEMENTATION APPARENTLY WAS ALLOWED TO SUBMIT AN AMENDED BID AFTER ALL THE OTHER COMPETITORS HAD MADE THEIR SUBMISSIONS. NOT SURPRISINGLY, THE ADJUSTED CEMENTATION BID WAS \$500 THOUSAND BELOW THAT OF THE AMERICANS, WHO UP TO THEN HAD THE LOWEST BID. THE AMERICAN SIDE ALSO WAS LED TO BELIEVE THE BIDS WOULD BE CONSIDERED IN AN OBJECTIVE, DETACHED FASHION BY A SPECIALLY APPOINTED COMMISSION. AS IT TURNED OUT, THE COMMISSION MERELY RUBBER-STAMPED A DEAL WHICH WAS NEGOTIATED IN CONJUNCTION WITH THE PRIME MINISTER'S VISIT TO LONDON.

4. IN ADDITION TO HAVING THE PREMIER'S VISIT TO HELP THEIR CAUSE, CEMENTATION MADE THEIR PROPOSAL ESPECIALLY ATTRACTIVE BY AGREEING TO USE POLISH SUBCONTRACTORS ON \$35 MILLION OF CONSTRUCTION WORK THE FIRM HAS IN SEVERAL OPEC COUNTRIES IN THE NEAR EAST AND AFRICA AND TO IMPORT \$4.5 MILLION OF CONSTRUCTION MATERIALS FROM POLAND EACH YEAR FOR THE NEXT SEVERAL YEARS. THESE CHANCES TO EARN BADLY NEEDED HARD CURRENCY WERE DIFFICULT FOR THE POLES TO REFUSE.

5. PORAY AND THE EMBASSY BELIEV THERE IS LITTEL CHANCE THAT POLISH AUTHORITIES WILL REVERSE THEIR DECISION ON THIS PROJECT, EVEN THOUGH MANY DETAILS MUST BE AGREED UPON BEFORE THE CONTRACT CAN BE SIGNED WITH CEMENTATION. LIMITED OFFICIAL USE

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THE HARD-CURRENCY OFFSETS WHICH CEMENTATION OFFERS AND THE PREMIER-LEVEL COMMITMENT ARE JUST TOO DIFFICULT FOR THE AMERICANS TO MATCH AT THIS LATE DATE. MOREOVER, THE U.S. GROUP WAS UNABLE TO GET EXIMBANK SUPPORT FOR THIS DEAL, AND CONSEQUENTLY THEIR FINANCING PACKAGE IS MUCH LESS COMPETITIVE THAN THAT OFFERED BY CEMENTATION WITH FULL ECGD SUPPORT. ACCORDING TO LARSON, WHO ARRANGED THE FINANCING, EXIMBANK WAS ONLY WILLING TO OFFER A LIST OF PRIVATE US FINANCIAL INSTITUTIONS WHICH MIGHT BE WILLING TO SUPPORT THE US BID.

6. WE (AND PORAY) ALSO BELIEVE THAT THE US CONSORTIUM'S CHANCES TO WIN FURTHER CONTRACTS IN POLAND WOULD BE IMPROVED IF POLISH OFFICIALS WERE MADE FULLY AWARE OF THEIR FEELINGS ABOUT HOW THEY HAVE BEEN TREATED ON THIS PROJECT. PORAY HAS DRAFTED A LETTER TO PRIME MINISTER JAROSZEWICZ LAYING OUT HIS GROUP'S BILL OF PARTICULARS. HE PLANS TO LEAVE COPIES WITH A NUMBER OF POLISH OFFICIALS. HE HAS INFORMED AMBASSADOR

TRAMPCZYNSKI OF THIS SITUATION AND IS THREATENING TO HAVE THE MATTER DISCUSSED AT THE MAY MEETING OF THE POLISH-US ECONOMIC COUNCIL HERE IN WARSAW.

7. AMONG THE CONSTRUCTION PROJECTS WHICH THE AMERICAN GROUP MIGHT BE INTERESTED IN BIDDING ON IN THE FUTURE ARE MULTI-STORY HOTELS FOR WARSAW, LODZ, KATOWICE AND WROCLAW, WHICH PROBABLY WOULD BE OPERATED UNDER HOLIDAY INN FRANCHISES; EIGHT SMALLER MOTELS FOR VARIOUS PARTS OF THE COUNTRY; A LARGE WARSAW HOTEL FOR THE POLISH TOURISM BUREAU, AND TWO HIGH-RISE OFFICE BUILDINGS IN SZCZECIN FOR THE POLISH STEAMSHIP LINES. AN EARLIER PLAN TO CONSTRUCT AN OFFICE/TRADE CENTER COMPLEX FOR THE MINISTRY OF MACHINE INDUSTRY HAS BEEN SIDETRACKED.

8. COMMENT: TO OUR KNOWLEDGE THIS GROUP IS THE ONLY AMERICAN ENTERPRISE SEEKING CONSTRUCTION CONTRACTS IN POLAND.
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THE EMBASSY HAS BEEN SUPPORTING ITS EFFORTS HERE AND WILL CONTINUE TO DO SO IF IT CHOOSES TO PURSUE ADDITIONAL BUSINESS IN POLAND. IT WOULD BE HELPFUL IF EXIMBANK COULD FIND SOME WAY OF ASSISTING THEM AS WELL. END COMMENT.
BROWN

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